UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES

UCLA

2004-2005 ANNUAL FINANCIAL REPORT

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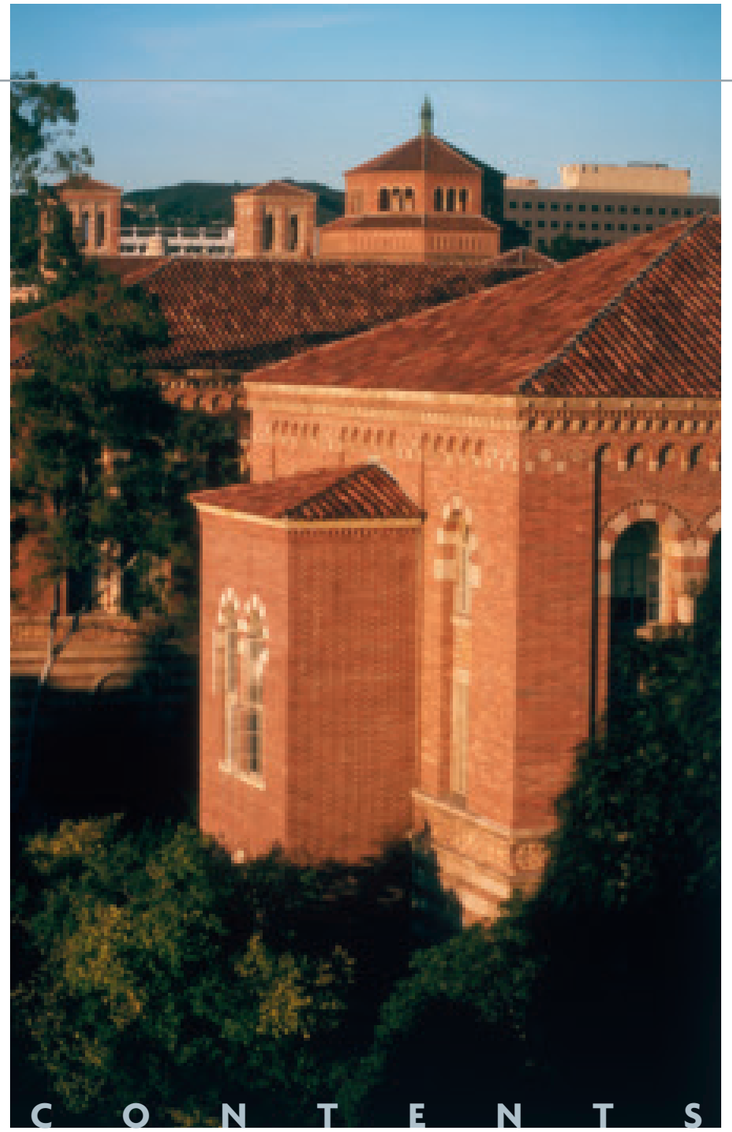
On the cover: Throughout this annual report, we've sought to capture fresh angles of the campus. Here, we're looking east from Hedrick Hall, across the Intramural Field, to Janss Steps and the historic heart of the campus; in the distance, downtown high-rises echo the campus skyline, illustrating UCLA's special bond with Los Angeles.



Sunshine illuminates the octagonal dome of Powell Library, one of the campus' original four buildings. Moore Hall, in the foreground, was named for UCLA's first leader, Ernest Carroll Moore. Moore's dream of establishing a teachers college in Southern California eventually led to the founding of the university. Fittingly, his namesake building houses the Graduate School of Education & Information Studies.

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UNIVERSITY OF CALIFORNIA, LOS ANGELES

CAMPUS AND FINANCIAL HIGHLIGHTS

(dollars in thousands)	For Fiscal Years Ended June 30	
	2005	2004
Enrollment - Fall Quarter		
Undergraduates	24,946	25,715
Graduates, and Interns and Residents	12,617	12,883
Staff Information		
Full-Time Equivalent		
(includes approximately 5,400 casuals and students)	27,191	27,032
Campus Land Area	419 acres	419 acres
OPERATING AND NONOPERATING REVENUE AND EXPENDITURES:		
Operating Revenue	$ 2,731,691	$ 2,616,661
Nonoperating Revenue (Core Activities)	676,699	732,383
	$ 3,408,390	$ 3,349,044
Operating Expense	$ 3,319,166	$ 3,186,190
Nonoperating Expense (Core Activities)	34,081	19,695
	$ 3,353,247	$ 3,205,885
Principal Sources of Operating Revenue:		
Student Tuition and Fees	$ 283,964	$ 264,126
Grants and Contracts	793,091	795,242
Sales and Services	1,610,751	1,513,932
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$ 534,214	$ 572,613
Principal Operating Expenditures:		
Salaries and Wages	$ 1,733,890	$ 1,699,126
Benefits	340,206	312,635
Supplies and Materials	390,956	346,675
Other Operating Expenditures	538,008	518,121
TOTAL NET ASSETS:		
Total Current Assets	$ 1,555,335	$ 1,468,974
Total Noncurrent Assets	3,713,014	3,467,525
Total Current Liabilities	666,149	663,408
Total Noncurrent Liabilities	684,639	637,613
End of Year Net Assets	3,917,561	3,635,478

See Notes to Financial Statements.

letter from Chancellor Carnesale

During 2004-2005, UCLA maintained its commitment to excellence, engagement with the community, and expansion to meet California's growing needs.

We received 43,197 freshman applications and 13,676 transfer applications for undergraduate admissions, more than any other university in the nation. In fall 2004, we welcomed 3,723 new freshmen and more than 3,000 transfer students, all outstanding.

Our students' many accomplishments confirmed UCLA's ability to recruit the brightest and most dedicated. This year, UCLA boasted three winners of the highly competitive Jack Kent Cooke national scholarships (totaling as much as $50,000 per year for up to six years), which provide support for students going on to professional or graduate training. Harun Mehmedinovic, an aspiring filmmaker and survivor of the war in Sarajevo, is attending the American Film Institute Conservatory; Khattaab Khan, who is dedicated to sustainable development, is studying international economics and diplomacy at the University of Cambridge; and Corey Chapman, who teaches creative writing to children, is enrolled in New York University's Steinhardt School of Education.

Our faculty members consistently earn recognition for their outstanding contributions. In 2004-2005, four received fellowships from the John Simon Guggenheim Memorial Foundation. This prestigious honor was presented to three members of the World Arts and Cultures faculty—Professor Donald J. Cosentino, Assistant Adjunct Professor Simone Forti, and Professor Victoria E. Marks—and to Professor of English Harryette Mullen.

We continue to innovate in undergraduate education. At UCLA, undergraduates at all levels can contribute directly to the creation of new knowledge. Forty percent of all recent UCLA College graduates have engaged in some form of research. Through our two undergraduate research centers, nearly 200 students are being funded to conduct advanced research, and thousands more are receiving training and support for their research interests. One center is devoted to the life and physical sciences, the other to the humanities and social sciences.

Undergraduate campus life is changing too. Thanks to the construction of new student housing, UCLA's transformation from a commuter institution to a residential campus is nearly fulfilled. Today, more than 90 percent of incoming freshmen live on campus.

Research is another area of expansion. During 2004-2005, UCLA received $821 million in research funding through competitively awarded grants and contracts, placing us among the top research universities in the nation. Much of this goes toward science, engineering, and medicine—areas in which UCLA is widely known for landmark research advances.

UCLA's engaged scholarship helps improve the quality of life in Los Angeles. In 2004-2005, our Center for Community Partnerships selected 13 community-campus collaborations for grant awards, continuing our commitment to partner with the people of the Greater Los Angeles area.

Every year, UCLA recognizes outstanding individuals for their exceptional contributions to society. During commencement ceremonies in June 2005, we bestowed the University's highest honor—the UCLA Medal—on six people from a wide range of professional spheres: Terry Semel, chairman and CEO of Yahoo!; Jane Semel, founder of ijane.inc; actor Anthony Hopkins; architect Frank Gehry; scholar and author Umberto Eco; and educator James Banks.

During this UCLA Year of the Arts, we opened the spectacular Glorya Kaufman Hall. The rebirth of this building (formerly the Dance Building and, even earlier, the Women's Gym) was made possible by a generous gift from Glorya Kaufman—the largest single donation to dance in America, and probably the world. This exquisite facility brings together a major performance venue, studios, classrooms, labs, and an outdoor pavilion theater. It further enhances UCLA's reputation as a world-class center for the arts and provides an environment where students can explore links between performance, community engagement, and diverse artistic traditions.

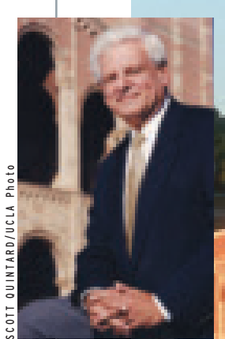
In athletics, the UCLA Bruins still lead the nation with 97 NCAA championships and 118 total national championships, three of which came from this year's men's and women's water polo teams, and the men's tennis team.

Last year, I launched the five-year Ensuring Academic Excellence initiative to generate new funds that will enable us to continue to attract and retain the finest faculty and students by establishing endowed chairs, scholarships, and fellowships. By the end of the campaign's first year, more than $100 million had been pledged toward our $250 million goal.

Meanwhile, Campaign UCLA—the most ambitious fund-raising effort ever undertaken by a public university—continued at an extraordinary pace, attracting more than $287.5 million in private gifts and grants in fiscal year 2005. Launched in 1997, Campaign UCLA has raised a total of $2.85 billion, more than doubling our original goal of $1.2 billion, and continues through December 31, 2005. These funds will make an enormous difference in meeting the needs of our growing campus through new facilities, enhanced academic programs, increased support for research, and more. We are deeply grateful to the many individuals and institutions whose contributions have made this campaign such a dramatic success.

I take pride in UCLA's sustained momentum in so many areas. I am confident that with the generous support of our alumni and friends—and the continued fiscal soundness demonstrated in this report—UCLA will remain a premier university.

Albert Carnesale
Chancellor



SCOTT QUINTARD/UCLA Photo

Historic facades conceal innovative interiors. Kaufman Hall (left) began life as the Women's Gym; now the building is home to state-of-the-art dance theaters and video labs. Similarly, the old Men's Gym became the Student Activities Center (right).

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2005, with selected comparative information for the year ended June 30, 2004. This discussion should be read in conjunction with the financial statements and the accompanying notes.

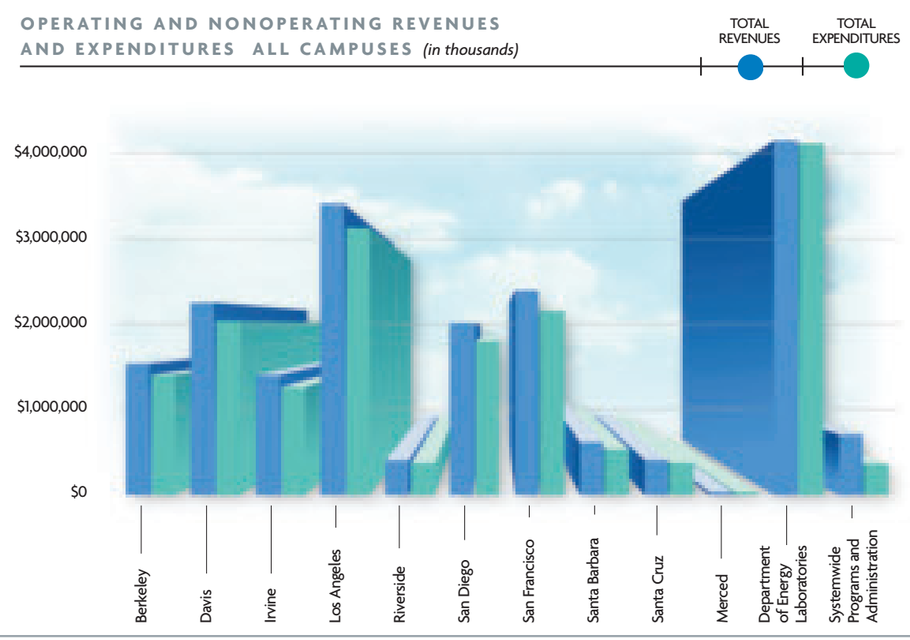
USING THIS ANNUAL REPORT

UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board. The three basic financial statements in this report—the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows—encompass the UCLA campus and its discretely presented component, The UCLA Foundation. However the MD&A and the Notes to Financial Statements focus only on the campus; information relating to The UCLA Foundation can be found in their separately issued financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California system (the University) is a public, state-supported institution. The University's financial statements for the University, the various campus foundations and the University of California Retirement System are presented as a discrete component of the state's general-purpose financial statements. The University encompasses 10 campuses, which include five medical schools and medical centers, three law schools and the statewide Division of Agricultural and Natural Resources. The University also operates and manages three national laboratories for the U.S. Department of Energy. The audited, consolidated financial statements of the University of California are available at http://www.ucop.edu/ucophome/busfin/reports.html.

The following chart reflects the operating and nonoperating revenues and expenditures of the various campuses and laboratories, along with systemwide programs and administration, for the 2004-05 fiscal year:



Happy 75th! Kerckhoff Hall, the first building donated to the campus, was a gift from Louise Kerckhoff in honor of her late husband, William, an entrepreneur who helped bring hydroelectric power to Southern California. The only Collegiate Gothic structure on campus, it was dedicated on January 20, 1931.

management's discussion and analysis

THE LOS ANGELES CAMPUS OF THE UNIVERSITY OF CALIFORNIA

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget that exceeds $3.4 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving more than 37,500 students in the following schools:

COLLEGE OF LETTERS AND SCIENCE

- Humanities
- Life Sciences
- Physical Sciences
- Social Sciences
- Honors and Undergraduate Programs
- UCLA International Institute

PROFESSIONAL SCHOOLS

- School of the Arts and Architecture
- School of Dentistry
- Graduate School of Education & Information Studies
- The Henry Samueli School of Engineering and Applied Science
- School of Law
- The Anderson School of Management
- The David Geffen School of Medicine at UCLA
- School of Nursing
- School of Public Health
- School of Public Affairs
- School of Theater, Film and Television

The campus' academic departments and interdepartmental programs schedule more than 2,000 courses each quarter for the benefit of our students. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some among the best in the world. Few universities offer the range and diversity of academic programs enjoyed by UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, health-care costs and medical advances. More than 5,000 research projects are being conducted on campus at any given time. For 2005, UCLA expenditures for research exceeded $555 million. Statistics from the National Science Foundation's *Survey of Federal Science and Engineering Support to Universities, Colleges, and Nonprofit Institutions*, published in August 2005 for activities in fiscal year 2003, show that UCLA ranked fifth for dollars received, with a total of $475.7 million.

UCLA Extension offers the public more than 4,500 continuing education courses annually, covering professional and career development, academic enrichment and personal growth.

UCLA employs more than 27,000 faculty, administrators and staff (including casuals and students) and spent just more than $2 billion in compensation costs for the fiscal year ended June 30, 2005. UCLA's employees are distinguished for their contributions to education, research and public service. Nobel Prizes have been awarded to five faculty members, in chemistry, physics and medicine (and to alumni in economics and chemistry, with one alumnus receiving the Nobel Peace Prize in 1950). UCLA faculty have also received nine National Medals of Science, and the Presidential Medal of Freedom has been given to three faculty and three alumni.

UCLA Live (performing arts), the UCLA Fowler Museum of Cultural History, the UCLA Hammer Museum and the Geffen Playhouse make UCLA the leading arts and cultural center of the West, providing both academic programs and a wide array of public programming.

As of June 30, 2005, UCLA's on-campus physical plant included 164 buildings, 13 parking structures, seven parking kiosks and seven new buildings under construction. Off campus, UCLA owns or manages 129 buildings, owns 10 parking structures and leases 69 or more buildings for various activities. UCLA's buildings included 13 libraries, housing more than 8 million volumes; a cogeneration power plant; on-campus student housing for more than 7,800 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center in Lake Arrowhead.

Medical Center – The UCLA Medical Center, the UCLA Neuropsychiatric Hospital and Santa Monica Hospital make up the UCLA hospital system, serving people from Los Angeles, across the country and around the world. The medical center, celebrating 50 years of service, is the primary teaching hospital for the David Geffen School of Medicine at UCLA. It has been named the "Best Hospital in the West" by *U.S. News & World Report* for 16 consecutive years. UCLA continues construction of a technologically innovative 525-bed hospital to replace its existing medical center, a 1951 vintage structure weakened in the 1994 Northridge earthquake. With an estimated completion date of 2006-07, the 10-story structure will combine the operations of the UCLA Medical Center, the UCLA Neuropsychiatric Hospital and Mattel Children's Hospital at UCLA.

ASUCLA – The Associated Students of UCLA (ASUCLA) operates the UCLA store and oversees student activities for the Los Angeles campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974. ASUCLA's financial data, representing total revenue of slightly more than $61.1 million for the fiscal year ended June 30, 2005, has also been included to reflect the total financial activity of the UCLA campus.

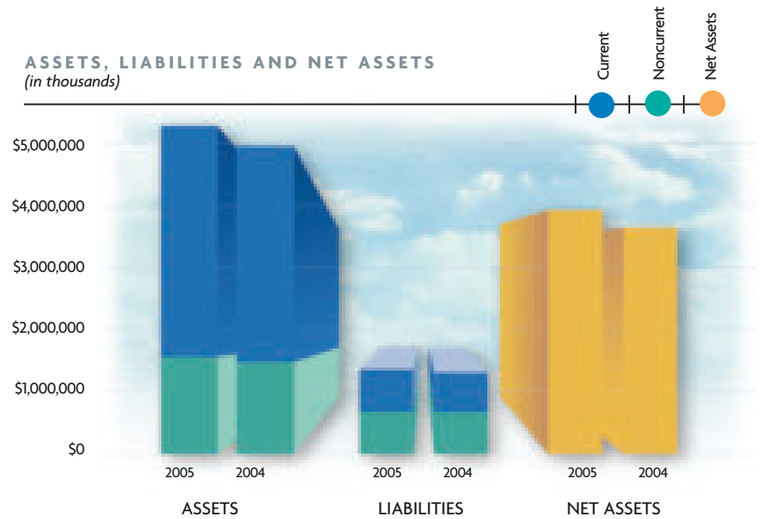
The UCLA Foundation – The foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. Contributions are held by the foundation until such time as funds are needed and are then transferred from the foundation to the campus. The financial activities of the separately incorporated foundation are not reflected in the campus' records. However, in compliance with Statement No. 39 of the Governmental Accounting Standards Board, which went into effect on July 1, 2003, the foundation's financial activity can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

An Overview – While UCLA's financial information concerning assets, liabilities, revenues and core activity expenditures is discussed in further detail in the subsequent sections of MD&A, the following table reflects the composition of UCLA for 2005, listing enrollment figures, full-time equivalent employee figures and operating expenses by organization.

(dollars in thousands)	Undergraduate	Graduate	Full-Time Equivalent (Includes Students)	Salaries and Wages	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**		**Operating Expenses**	
College of Letters and Science	21,395	2,774	3,468	$ 210,195	$ 92,519	$ 302,714
School of the Arts and Architecture	787	402	433	23,812	15,130	38,942
School of Dentistry	-	486	357	26,736	16,612	43,348
School of Education & Information Studies	-	923	488	31,345	18,819	50,164
School of Engineering and Applied Science	2,392	1,390	840	54,329	39,050	93,379
School of Law	-	926	229	21,456	10,544	32,000
School of Management	-	1,431	330	29,519	19,224	48,743
School of Medicine	-	2,470	6,465	476,980	306,114	783,094
School of Nursing	32	284	84	6,064	3,061	9,125
School of Public Health	-	677	341	23,478	15,795	39,273
School of Public Affairs	-	475	146	10,807	5,047	15,854
School of Theater, Film and Television	340	379	237	13,930	6,427	20,357
University Extension	-	-	311	23,090	19,947	43,037
Hospitals	-	-	6,423	399,634	523,596	923,230
All Others	-	-	7,039	382,515	306,796	689,311
Subtotal Organizations	24,946	12,617	27,191	1,733,890	1,398,681	3,132,571
Depreciation Expense					173,765	173,765
Other Operational Expenditures					12,830	12,830
TOTAL	24,946	12,617	27,191	$ 1,733,890	$ 1,585,276	$ 3,319,166

THE CAMPUS' FINANCIAL POSITION

The statement of net assets presents UCLA's financial position at the end of the fiscal year. It displays the assets and liabilities of the campus, accounted for on a local level. The difference between assets and liabilities is net assets, representing a measure of the current financial condition of the campus. At June 30, 2005, the campus' assets were $5.3 billion, liabilities were $1.4 billion and net assets were $3.9 billion, an increase of $282 million from 2004.



The major components of the assets, liabilities and net assets, compared to the prior year, are as follows (*dollars in thousands*):

	2005	2004	Change
ASSETS			
Cash and investments	$ 1,096,883	$ 966,476	$ 130,407
Accounts receivable, net	385,698	437,648	(51,950)
Capital assets, net	3,571,774	3,265,838	305,936
Other assets	213,994	266,537	(52,543)
Total assets	$ 5,268,349	$ 4,936,499	$ 331,850
LIABILITIES			
Current liabilities	$ 666,149	$ 663,408	$ 2,741
Long-term debt	554,848	514,707	40,141
Other noncurrent liabilities	129,791	122,906	6,885
Total liabilities	$ 1,350,788	$ 1,301,021	$ 49,767
NET ASSETS			
Invested in capital assets, net of related debt	$ 3,061,169	$ 2,824,567	$ 236,602
Restricted:			
Nonexpendable	-	-	-
Expendable	269,770	271,927	(2,157)
Unrestricted	586,622	538,984	47,638
Total net assets	$ 3,917,561	$ 3,635,478	$ 282,083

THE CAMPUS' ASSETS

Long-term investments, the campus' portion of pooled debt and the retirement system are accounted for on a systemwide basis through the Office of the President and are not reflected in UCLA's stand-alone financial statements. UCLA does participate in a temporary investment pool that is administered by the Office of the President, and the balance in this pool is reflected as part of the campus' assets on UCLA's financial statements, under cash and investments. These funds are primarily invested in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. The amount invested in this short-term investment pool at June 30, 2005, totaled $1 billion, an increase of $130 million from the previous year, primarily due to the timing of cash needs from one year to the next.

Accounts receivable totaled $386 million in 2005, down from $438 million in 2004. Accounts receivable include those from the state and federal governments, those associated with the medical center that are related to patient care, those from investment activity and others, including those related to local and private grants and contracts, and student fees. The $52 million variance is attributed in part to a $9.4 million decrease in current outstanding funds receivable for federal contracts and grants and a $7.3 million decrease in federal funds for capital projects (with 90% of FEMA funds already utilized for the replacement hospital), as well as a $10 million decrease in sundry receivables recorded for year-end closing. In addition, medical center patient-care receivables were down $25.3 million from the prior year, a result of increased cash collection during the current year.

Net capital assets—original cost less depreciation—increased from $3.3 billion in 2004 to $3.6 billion in 2005. Capital assets include land, infrastructure, buildings and improvements, equipment, libraries, special collections and construction in progress. The original cost of capital assets increased by $396.8 million to $5.6 billion in 2005, consisting of capital asset acquisitions of $494 million, partially offset by the disposal of $97.2 million of capital assets during the year in the ordinary course of business. Capital asset acquisitions in 2004 were $586.1 million and asset disposals were $70.6 million. During 2005, capitalized costs for completed projects included $74.5 million for new buildings and improvements to existing buildings, $62.7 million for new equipment, $13.3 million for libraries and collections, and $3.3 million for land and infrastructure. This included the completion of the Physics & Astronomy building, a new structure housing research labs, classrooms, and academic and administrative offices. At the end of 2005, the increase from 2004 in the cost of projects under construction, net of the costs of those projects completed and reclassified during 2005 to buildings and improvements or equipment, totaled $340.3 million, bringing construction in progress to $1.6 billion. This includes the Westwood Replacement Hospital (estimated completion 2006-07), the Santa Monica Replacement Hospital (estimated completion 2006-07) and the remainder of the Weyburn Terrace housing project and parking structure (estimated completion 2005-06).

Accumulated depreciation increased from $1.98 billion in 2004 to $2.07 billion in 2005. Depreciation expense for the year was $173.8 million, and the accumulated depreciation on assets sold or disposed of during the year was $82.9 million. The majority of the disposals were for equipment that was fully depreciated or had reached the end of its useful life.

Other assets of $214 million at June 30, 2005 (a decrease of $52.5 million from 2004), included inventories, investments held by trustees, and notes and mortgages receivable. Payments received from investments held by trustees to fund construction work accounted for $42.6 million of the decrease. This included $28.8 million transferred from state public works bonds for the replacement hospitals and $12 million from donations for the J. Vernon Luck Sr., MD, Research Center.

THE CAMPUS' LIABILITIES

Current liabilities of the campus, up $2.7 million from the prior year, consist largely of accounts payable to vendors for goods and services, accrued compensation costs due to employees for services performed, deferred revenue and current portions of long-term debt utilized to finance capital assets. The accounts payable for the campus consist of amounts due to vendors for goods and services received for general operation of the campus and medical center, and for capital assets. Overall accounts payable showed a decrease to $270 million in 2005 from $276 million in 2004. Accrued salaries and benefits showed an increase of $2.1 million during 2005, a direct result of a salary rate increase for the various bargaining units within the hospitals. Deferred revenues for 2005 totaled $160 million, up from $154 million in 2004.

Long-term debt, used for capital expenditures, is financed by a variety of sources, including University equity contributions, federal and state support, revenue bonds, certificates of participation, bank loans and leases. Commercial paper provides interim financing. The campus' portion of pooled debt is accounted for on a Universitywide basis. Other debt used to finance capital assets, and accounted for locally as noncurrent long-term debt, grew from $515 million at the end of 2004 to $555 million at the end of 2005, an increase of $40 million. This increase resulted mainly from borrowings of $24 million ($15 million for the Westwood and Santa Monica replacement hospitals and $9 million for various capital projects, including the Acosta Training Center and the Health Sciences Seismic Replacement Building 2).

Other noncurrent liabilities showed an increase of $7 million for 2005. This included a decrease of $1 million in federal refundable loans, with an increase of $8 million in accrued vacation leave.

THE CAMPUS' NET ASSETS

Net assets represent the residual interest in the campus' assets after all liabilities are deducted. During the year, the campus' net assets increased by $282 million, bringing the year-end total to $3.9 billion. Net assets are reported in four major categories: invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

The portion of net assets invested in capital assets, net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, grew from $2.8 billion in 2004 to $3 billion in 2005. The increase of $237 million closely corresponds to the increase in capital assets, less the increase in long-term debt and depreciation of capital assets.

The campus reflects a zero balance in restricted nonexpendable net assets, as endowments and charitable remainder trusts are accounted for on a systemwide basis and are excluded from UCLA's financial statements.

Restricted expendable net assets, which totaled $270 million in 2005, down from $272 million in 2004, are subject to externally imposed restrictions governing their use. These net assets may be spent only in accordance with the restrictions placed upon them and may include support received from gifts, appropriations, grants or contracts for specific programs or capital projects; trustee-held investments; or other third-party receipts.

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are designated internally and are allocated for academic and research initiatives or programs, or for capital purposes. As of June 30, 2005, unrestricted net assets were $587 million, an increase of $48 million from the previous year.

One of UCLA's original four buildings, Haines Hall is home to the departments of anthropology and sociology, among others. The building was named in honor of Charles Grove Haines, a political scientist on the faculty from 1925 to 1948.

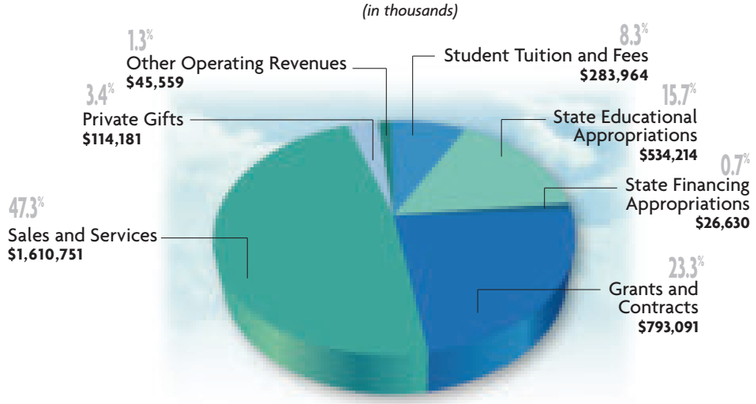
management's discussion and analysis

THE CAMPUS' RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net assets is a presentation of the campus' operating results for the year. It indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus, including state educational appropriations, private gifts and investment income, are mandated to be recorded as nonoperating revenues.

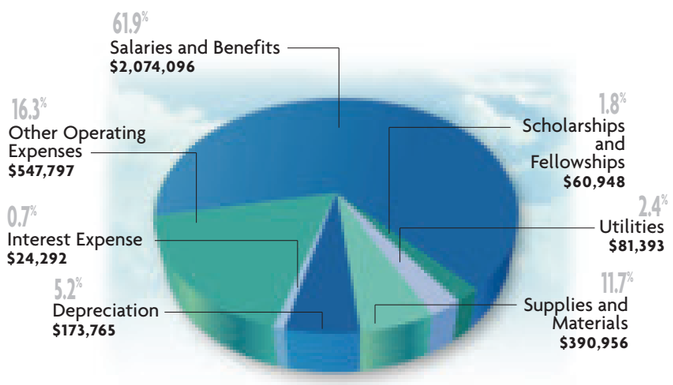
The following chart displays the categories of both operating and nonoperating revenues that support core activities, as of June 30, 2005:

REVENUES SUPPORTING CORE ACTIVITIES
(in thousands)



The following chart displays the portion of operating and nonoperating expenses related to core activities of the campus, as of June 30, 2005:

EXPENSES ASSOCIATED WITH CORE ACTIVITIES
(in thousands)



Below is a summarized comparison of the operating results for 2005 and 2004, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities (*dollars in thousands*):

	YEAR ENDED JUNE 30, 2005			YEAR ENDED JUNE 30, 2004			
	Operating	Nonoperating	Total	Operating	Nonoperating	Total	Change
REVENUES							
Student tuition and fees, net	$ 283,964	$ -	$ 283,964	$ 264,126	$ -	$ 264,126	$ 19,838
State educational appropriations	-	534,214	534,214	-	572,613	572,613	(38,399)
State financing appropriations	-	26,630	26,630	-	25,840	25,840	790
Grants and contracts	793,091	-	793,091	795,242	-	795,242	(2,151)
Sales and services, net	1,610,751	-	1,610,751	1,513,932	-	1,513,932	96,819
Private gifts	-	114,181	114,181	-	133,793	133,793	(19,612)
Other revenues	43,885	1,674	45,559	43,361	137	43,498	2,061
Revenues supporting core activities	2,731,691	676,699	3,408,390	2,616,661	732,383	3,349,044	59,346
EXPENSES							
Salaries and benefits	2,074,096	-	2,074,096	2,011,761	-	2,011,761	62,335
Scholarships and fellowships	60,948	-	60,948	67,630	-	67,630	(6,682)
Utilities	81,393	-	81,393	71,659	-	71,659	9,734
Supplies and materials	390,956	-	390,956	346,675	-	346,675	44,281
Depreciation	173,765	-	173,765	170,344	-	170,344	3,421
Interest expense	-	24,292	24,292	-	19,090	19,090	5,202
Other expenses	538,008	9,789	547,797	518,121	605	518,726	29,071
Expenses associated with core activities	3,319,166	34,081	3,353,247	3,186,190	19,695	3,205,885	147,362
Income (loss) from core activities	(587,475)	642,618	55,143	(569,529)	712,688	143,159	(88,016)
Transfers to (from) core activities	-	(31,782)	(31,782)	-	(28,525)	(28,525)	(3,257)
Net income (loss) from core activities	$ (587,475)	$ 610,836	23,361	$ (569,529)	$ 684,163	114,634	(91,273)
OTHER NONOPERATING ACTIVITIES							
Net appreciation in fair value of investments			-			(10)	10
Loss on disposal of capital assets, net of proceeds			(12,788)			(14,845)	2,057
Income (loss) before other changes in net assets			10,573			99,779	(89,206)
OTHER CHANGES IN NET ASSETS							
State capital appropriations			29,535			36,189	(6,654)
Capital gifts and grants			79,861			142,047	(62,186)
Transfers to (from) capital accounts			162,114			171,087	(8,973)
Increase in net assets			282,083			449,102	(167,019)
NET ASSETS							
Beginning of year			3,635,478			3,186,376	449,102
End of year			$ 3,917,561			$ 3,635,478	$ 282,083

REVENUES ASSOCIATED WITH CORE ACTIVITIES

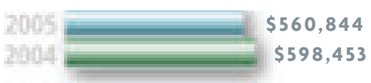
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, grew from $3.35 billion in 2004 to $3.4 billion in 2005, an increase of $59 million. The campus has very diversified sources of revenue. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Sales and service revenue includes the medical center, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

Categories of revenues, as well as activity trends, are described below:

Revenues (in thousands)	2005	Percent of Total	2004	Percent of Total	Change	Change Over Prior Year
Student tuition and fees, net	$ 283,964	8.33%	$ 264,126	7.89%	$ 19,838	7.5%
State appropriations	560,844	16.45%	598,453	17.87%	(37,609)	-6.3%
Grants and contracts	793,091	23.27%	795,242	23.75%	(2,151)	-0.3%
Sales and services, net	1,610,751	47.26%	1,513,932	45.20%	96,819	6.4%
Private gifts	114,181	3.35%	133,793	3.99%	(19,612)	-14.7%
Other revenues, net	45,559	1.34%	43,498	1.30%	2,061	4.7%
TOTAL	$ 3,408,390	100.00%	$ 3,349,044	100.00%	$ 59,346	1.8%

Student Tuition and Fees revenue, net of scholarship allowances, grew by $19.8 million, from $264.1 million in 2004 to $284 million in 2005, a 7.5% increase. The increase consists of $34 million from the rise in student fees, despite a 2.7% decline in fall enrollment, offset by a $15.2 million increase in student financial aid distribution. To compensate for further state budget cuts to the University's general funds, and to avoid reducing instructional programs, mandatory systemwide student fees were increased by an average of 17.7% above the previous fee level.

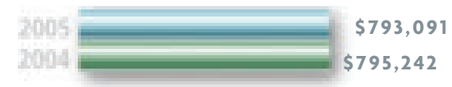
State Appropriations (in thousands)	2005	2004	Change	Change Over Prior Year
State educational appropriations	$ 534,214	$ 572,613	$ (38,399)	-6.7%
State financing appropriations	26,630	25,840	790	3.1%
TOTAL	$ 560,844	$ 598,453	$ (37,609)	-6.3%



State Appropriations consists of two components, educational and financing. Educational appropriations from the State of California decreased by $38.4 million to $534 million in 2005, a drop of 6.7%. This fifth year of decline in state support is the direct result of budget cuts to the University due to the major state budget deficit.

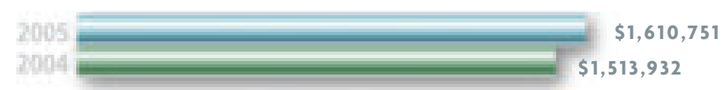
State financing appropriations are directly related to the required rental payments under lease-purchase agreements with the State of California, which increased by $0.8 million in 2005 to $26.6 million.

Grants and Contracts (in thousands)	2005	2004	Change	Change Over Prior Year
Federal	$ 586,312	$ 574,534	$ 11,778	2.1%
State	48,386	52,262	(3,876)	-7.4%
Private	129,715	138,069	(8,354)	-6.1%
Local	28,678	30,377	(1,699)	-5.6%
TOTAL	$ 793,091	$ 795,242	$ (2,151)	-0.3%

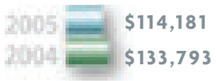


Grants and Contracts revenue from federal, state, private and local sources fell by $2 million during 2005 to $793 million. Federal grant and contract revenue, consisting of facilities and administration cost recovery of $129 million, direct expenditures of $445 million and receipts in excess of expenditures of $12 million, grew by $11.8 million to $586.3 million. This revenue represents support from a variety of agencies: the Department of Health and Human Services, $390 million; the National Science Foundation, $55 million; the Department of Education, $43 million; the Department of Veterans Affairs, $14 million; the Department of Energy, $23 million; and other federal agencies, $61.3 million. The increase in federal funds was offset by the following declines: state contracts decreased from $52.3 million in 2004 to $48.4 million in 2005, private contract and grant funds decreased by $8.3 million to $128 million, and local contracts and grants decreased by $1.7 million to $28.7 million.

Sales and Services (in thousands)	2005	2004	Change	Change Over Prior Year
Medical centers	$ 941,850	$ 898,510	$ 43,340	4.8%
Educational activities	427,451	386,861	40,590	10.5%
Auxiliary enterprises, net	241,450	228,561	12,889	5.6%
TOTAL	$ 1,610,751	$ 1,513,932	$ 96,819	6.4%



Sales and Services revenue represents revenue from medical centers, educational activities and auxiliary enterprises, net of scholarship allowance. This revenue increased to $1.6 billion in 2005 from $1.5 billion in 2004, a total increase of $96.8 million. Medical center revenue growth of $43.3 million over the prior year to $941.8 million was primarily due to a combination of rate increases and an increase in patient activity. Sales from educational activities, primarily patient-care fees in the School of Medicine, grew by $40.6 million to a total of $427.5 million. Sales from auxiliary enterprises showed a 6.4% increase, from $228.6 million in 2004 to $241.5 million in 2005. This increase was due in part to the opening of new student residential housing at Weyburn Terrace, with a partial occupancy of 612 beds for 2005, and the reopening of UCLA Tiverton House, a 100-room hotel designed to meet the needs of UCLA Medical Center patients and their families.



Private Gift revenue can come directly from the donor or can be held by The UCLA Foundation until needed. These funds generally are restricted to uses designated by the donor. In 2005, overall gift revenues totaled $114 million, a 14.7%, decline from 2004, when more funds were requested for construction projects, including the Engineering I replacement building for the Henry Samueli School of Engineering and Applied Science. Approximately 62% of the 2005 revenue from private gifts came from funds transferred by The UCLA Foundation to the campus; that amount represented a drop of $17 million from 2004.

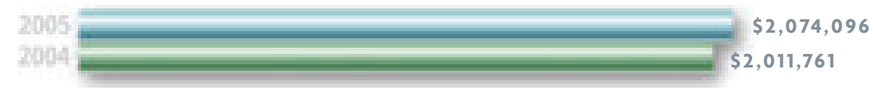
Other Operating Revenues, net of scholarship and other allowances, which totaled $45.6 million for 2005, come from a variety of sources, including the Arthur Ashe Student Health and Wellness Center, UCLA Live, the Department of Cultural and Recreational Affairs, and parking fines and forfeitures. These revenues were up 4.7% over 2004.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

UCLA's expenses associated with core activities for 2005, including those classified as nonoperating expenses, totaled $3.4 billion, up $147 million from $3.2 billion in 2004. Almost two-thirds, 62%, of UCLA's core expenses are related to salaries and benefits of academic and administrative personnel working on behalf of the University. Other expenses are related to goods and services used for operation of the core activities of the campus, depreciation of capital assets, and scholarship and fellowship payments to students.

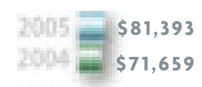
Categories of expenses, as well as activity trends, are described below:

Expenses (in thousands)	2005	Percent of Total	2004	Percent of Total	Change	Change Over Prior Year
Salaries and benefits	$ 2,074,096	61.85%	$ 2,011,761	62.75%	$ 62,335	3.1%
Scholarships and fellowships	60,948	1.82%	67,630	2.12%	(6,682)	-9.9%
Utilities	81,393	2.43%	71,659	2.24%	9,734	13.6%
Supplies and materials	390,956	11.66%	346,675	10.81%	44,281	12.8%
Depreciation	173,765	5.18%	170,344	5.31%	3,421	2.0%
Interest expense	24,292	0.72%	19,090	0.60%	5,202	27.2%
Other expenses, net	547,797	16.34%	518,726	16.18%	29,071	5.6%
TOTAL	$ 3,353,247	100.00%	$ 3,205,885	100.00%	$ 147,362	4.6%

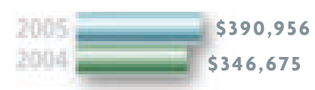


Salaries and Benefits reflected a 3.1% increase over the prior year, from $2.01 billion in 2004 to $2.07 billion in 2005 ($1.7 billion in salaries and wages and $340.2 million in benefits). There are nearly 37,000 employees filling a total of approximately 27,000 full-time equivalent positions. This year's increase is attributed to the medical center's staff salary rate increase for various bargaining units.

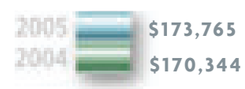
Scholarships and Fellowships, payments of financial aid made directly to students and reported as an operating expense, totaled $60.9 million in 2005, 9.9% less than 2004. Scholarship allowances (financial aid, fee waivers by the campus and third-party payments to the University on behalf of students) increased in 2005 by 17.2% to $113.2 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, financial aid to students in all forms grew from $163.8 million in 2004 to $174.2 million in 2005, an increase of $10.4 million, or 6.3%.



Utilities costs showed a 13.6% increase from the prior year to $81.4 million. This rise was attributed mainly to the higher cost of electricity, coupled with an increase in utilities services and an increase in consumption.

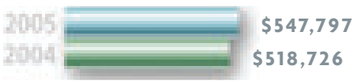


Supplies and Materials, net of elimination of capitalization, increased $44 million over the prior year to $391 million. This 12.8% increase is attributed to $16 million in purchases of medical supplies, plus $27 million in purchases of equipment less than $5,000, which are now expensed (instead of capitalized) due to a change in the capitalization threshold.



Depreciation and Amortization expenses increased from $170.3 million in 2004 to $173.8 million in 2005. The $3.5 million increase is mainly due to the depreciation of equipment for campus and the hospitals.

Interest Expense, reported as a nonoperating expense, increased by $5.2 million in 2005 to $24.3 million. The increase relates directly to medical center bond series interest payments: Series 2004 increased by $8 million, while Series 1994 decreased by $4 million as the debt was retired last fiscal year. In addition, there were $1 million in interest payments on loans for various campus projects.



Other Expenses Associated with Core Activities rose by $29 million to $548 million, an increase of 5.6% over 2004, with $11 million of the increase attributed to patient care and $5 million to medical center bad debt and medical malpractice insurance. In addition, approximately $12 million in faculty mortgage loans were sold and the proceeds were transferred to The UCLA Foundation, which subsidizes this loan program.

OTHER NONOPERATING ACTIVITIES

UCLA's nonoperating activities that are generally non-cash transactions, and therefore not available to be used to support operating expenses, include the net appreciation or depreciation in the fair value of investments and the gain or loss on the disposal of capital assets.

Since the majority of investment activity is recorded at a systemwide level, the appreciation and depreciation of the fair market value investments is not significant from year to year.

Routine disposals and write-offs of capital assets resulted in a decrease to expense totaling $12.8 million in 2005, compared with $14.8 million in 2004. The major portion of the expense for 2005 was related to disposal of capital equipment. Useful lives of equipment are assigned at the time of acquisition based on an established useful life table; equipment is fully depreciated when the accumulated depreciation equals the acquisition value. Equipment is written off at the time of disposal.

OTHER CHANGES IN NET ASSETS

Similar to the other nonoperating activities discussed above, other changes in net assets are generally not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets.

UCLA's required enrollment growth necessitates new facilities, in addition to continuing needs for renewal, modernization and seismic correction of existing facilities. Capital appropriations from the state decreased by $6.7 million, from $36.2 million in 2004 to $29.5 million in 2005. Capital appropriations from gifts and grants decreased by $62 million, from $142 million in 2004 to $79.9 million in 2005. This drop is mainly attributed to the decrease in federal grants as a result of lower expenditures against Federal Emergency Management Agency (FEMA) funding for the replacement hospitals as the hospitals near completion.

Campus transfers for core activities and capital accounts totaled $130.3 million for 2005, a decrease of $12 million from 2004. The majority of the activity can be associated with indirect cost recovery, intercampus transfers and unexpended plant funds.

The indirect cost recovery from facilities and the administrative costs of contract and grant activity totaled $148 million, an increase of $3.5 million over the prior year. These funds are transferred to the Office of the President as part of the closing processes and then reallocated at a designated rate to the campus in the new year. The University has an agreement with the state regarding the disbursal of federal reimbursement. Approximately 20% of the reimbursement accrues directly to the University for costs related to federal contract and grant activity, and this is the source of the University's off-the-top overhead funds. The remaining 80% of the federal reimbursement is used in two ways: 55% is budgeted as University general funds and is used, along with state general funds, to help fund the University's budget; the remaining 45% is the source of the University Opportunity Fund.

Intercampus transfers totaled $248 million for 2005, an increase of $20 million from 2004. This includes the allotment of indirect cost funds from the prior year's recovery, transfers of funding between campuses for related projects and short-term investment income.

Unexpended plant fund transfers totaled $216 million for 2005, an increase of $162 million from 2004. This increase resulted from transfers of borrowed funds from the Office of the President for various plant projects, such as the Physics and Astronomy building, campus housing projects and the new replacement hospitals.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. UCLA's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis.

A summary comparison of cash flows for 2005 and 2004 is as follows (*dollars in thousands*):

	2005	2004	Change
Cash received from operations	$ 2,757,994	$ 2,581,623	$ 176,371
Cash payments for operations	(3,102,514)	(2,999,539)	(102,975)
Net cash used by operating activities	(344,520)	(417,916)	73,396
Net cash provided by noncapital financing activities	638,561	704,721	(66,160)
Net cash used by capital and related financing activities	(293,486)	(262,062)	(31,424)
Net cash provided by investing activities	-	-	-
Intercampus and transfer activities	129,852	142,562	(12,710)
Net (decrease) increase in cash	130,407	167,305	(36,898)
Cash, beginning of year	966,476	799,171	167,305
Cash, end of year	$ 1,096,883	$ 966,476	$ 130,407

UCLA's cash in demand deposit accounts increased by $130 million, from $966 million in 2004 to $1.09 billion in 2005. More than $344 million was used for operating activities, offset by $639 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operational activities.

Cash of $293 million was used for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include state and federal (FEMA) capital appropriations, gifts for capital purposes and new external financing.

LOOKING FORWARD

The campus', and the University's, quality is a hallmark for the State of California and the nation. The excellence of UCLA's programs attracts the best students; leverages hundreds of millions of dollars in state, federal and private funding; and promotes discovery of new knowledge that fuels economic growth.

The University's diverse sources of revenue—from student fees, federal grants and contracts, medical centers, private gifts, self-supporting enterprises and state funds—help it to remain fiscally strong during tough times.

The State of California's ongoing budget deficit has resulted in drastic cuts in higher education, and over the past five years the University has lost 15% of its state funds for operations. The past year alone, UC's state-funded operating budget fell by nearly 7%.

However, with the signing of the 2005-06 state budget, Governor Arnold Schwarzenegger fulfilled the terms of the compact he reached last year with UC President Robert Dynes to bulwark the University's budget stability. This agreement, which extends through fiscal year 2010-11, increases state funding to the University for enrollment growth, faculty and staff compensation, and the University's initiative to expand the training of K–12 science and math teachers.

In keeping with terms outlined in this compact, the UC Board of Regents approved systemwide undergraduate and graduate student fee increases for 2005-06. Fees for California resident undergraduates will increase by $457.00 (8%), while resident graduate academic students will pay an additional $628.00 (10%). Professional-school fee increases will vary by school.

The campus remains highly competitive in terms of attracting federal grant and contract revenue, with fluctuations in UCLA's share closely paralleling trends in the budgets of federal research-granting agencies. The majority of UCLA's research revenue comes from the Department of Health and Human Services. Other significant research funding is awarded from the Department of Education, the National Science Foundation, the Department of Energy and the Department of Veterans Affairs. A steady growth in federal research revenue has occurred over the past several years. The outcome of the federal budget process has important ramifications for the campus' research budget.

The medical centers face financial challenges in a price-sensitive managed-care environment. The demand for health- care services and the cost of providing them are increasing significantly, while revenues to support these services are diminishing. In addition to cost increases faced by hospitals across the state, such as rising salary and benefit costs, UCLA's medical centers also face additional costs associated with new technologies, biomedical research, the education and training of health-care professionals and the care for a disproportionate share of the medically underserved in California. In recent years, federal legislation has been enacted to slow future rate increases in Medicare and Medicaid and to reduce medical education and disproportionate-share funding. The UCLA hospital system continues to pursue short- and long-term solutions to address financial challenges at both the state and federal level in order to remain competitive in its market.

The continuing financial success of the medical centers is dependent on dedicated and sustained financial support for medical education and care for the poor. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

UCLA continues with the construction of the new Westwood hospital, which will replace its existing medical center and combine the operations of the UCLA Neuropsychiatric Hospital and Mattel Children's Hospital. The new facility is slated to open in 2006-07.

Additionally, construction continues with the Santa Monica/Orthopaedic Replacement Hospital. The new state-of-the-art inpatient facility, a joint endeavor between Santa Monica-UCLA Medical Center and Orthopaedic Hospital, will include 120 acute-care beds and is slated for completion by December 2007.

UCLA and The UCLA Foundation's remarkable achievement in recent years in obtaining private support through Campaign UCLA, which has raised $2.85 billion and continues through December 31, 2005, is a testament to its distinction as a leader in philanthropy among the nation's colleges and universities and to the high regard in which the campus and the University are held. UCLA's Ensuring Academic Excellence initiative, launched in June 2004, is designed to generate $250 million in private commitments through 2009 to help attract and retain top students and faculty, a campuswide priority. The level of private support underscores the continued confidence among donors in the quality of UCLA's programs and the importance of its mission. At the same time, private support in 2006 will likely reflect the changes in the economy and financial markets, the effect of which is not determinable at this time.

Affordable, accessible student housing is required in order to satisfy the demand associated with enrollment growth as stated in the compact agreement with the state. UCLA was already looking ahead with the Northwest Campus Housing Project, approved by the Regents in 2002, which will consist of three new nine-story buildings located in the northwest section of campus. The project will help UCLA accommodate the expected increase in students over the next decade. Hedrick Summit, completed in June 2005; Rieber Vista, completed in August 2005; and Rieber Terrace (scheduled for completion in 2006) will add almost 2,000 bedspaces and bring UCLA's on-campus housing inventory for undergraduate students to more than 9,000 beds, completing UCLA's transformation from a commuter institution to a residential campus. Today, more than 90% of incoming freshman live on campus.

Since a balanced array of many categories of facilities is needed to meet its education, research and public service goals, UCLA continues to assess its long-term capital requirements. Support for the campus' capital program will continue to be provided from a combination of sources, including the State of California, external financing, gifts and other sources.

There also are plans for additional capital projects that are not considered to be state-supportable. This is a continuing process that is amended as required to include projects when gifts or other supplemental resources are obtained or financing plans are developed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written statements (as outlined above) or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Shadows lengthen over the soccer field as another day of practice comes to an end. In an innovative use of space, the soccer field was built on top of Parking Structure 4.

management's discussion and analysis

campaign ucla

During 2004-05, Campaign UCLA received more than $287 million in private gifts, grants and pledges, the third highest total of the 10-year Campaign. Outright gifts and pledge payments totaled $281.6 million. This marks the sixth year of the Campaign in which UCLA's gift total has surpassed $250 million.

This figure, which reflects gifts and pledges received between July 1, 2004, and June 30, 2005, propelled the total for the Campaign to more than $2.85 billion, exceeding the recent $2.4 billion goal by nearly 19 percent in advance of the Campaign's conclusion on December 31, 2005.

Concurrent with this historic achievement in university fund-raising, UCLA's Ensuring Academic Excellence initiative generated $54 million during 2004-05, bringing the initiative's total to nearly $91 million. This fund-raising drive, launched in June 2004, is designed to generate $250 million in private commitments through 2009, specifically to help attract and retain top students and faculty, a campuswide priority.

Included in the 2004-05 total were gifts to create five new endowed faculty chairs in the UCLA College and 10 new endowed chairs in the professional schools. Among these commitments was a gift of $2 million from the Mattel Children's Foundation to establish the Mattel Executive Chair in Pediatrics in the David Geffen School of Medicine.

Additionally, the Division of Humanities received $5 million from renowned anthropologist A. Richard Diebold Jr. to endow graduate student fellowships. According to Patricia O'Brien, executive dean of the UCLA College, "Professor Diebold has been visionary and thoughtful in providing the College with the flexibility to create fellowships wherever they are most needed in the humanities, thereby inspiring the work of our most promising graduate students and enhancing our competitive edge."

Graduate student fellowship support also included $1.2 million in bequests from the estate of Louise T. Lucio to the Graduate School of Education & Information Studies.

Campaign resources continue to secure UCLA's position as a leader in American higher education by supporting pioneering research, providing student and faculty support, enhancing interdisciplinary programs and enabling capital improvements.

This view from the patio of the UCLA Anderson School's Collins Center highlights Kaufman Hall and its garden theater (foreground), with the towers of the Fowler Museum of Cultural History (mid-ground) echoing Royce Hall's majestic roofline (top, left) and the dome of Powell Library (top, right).

Booths from the UCLA Store create a colorful bazaar at the northeast entrance to Ackerman Union.
This Bruin Plaza area is the crossroads of student life.

TRANSMITTAL LETTER

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2005.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is also prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board. (GASB)

In compliance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial activity of the legally separate, tax-exempt UCLA Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Respectfully submitted,

Susan K. Abeles

Susan K. Abeles
Assistant Vice Chancellor/Controller
Corporate Financial Services

STATEMENT OF NET ASSETS

(dollars in thousands) For Fiscal Year Ended June 30, 2005, with comparative totals for 2004

	CAMPUS*		FOUNDATION	
	2005	2004	2005	2004
ASSETS				
Cash	$ 24,910	$ 20,669	$ 837	$ 3,932
Short-term investments	1,071,973	945,807	131,593	121,272
Investment of cash collateral	-	-	57,118	40,260
Investments held by trustees	120	115	-	-
Accounts receivable, net	385,698	437,648	7,383	4,090
Pledges receivable, net	6,290	1,276	48,403	49,878
Current portion of notes and mortgages receivable, net	10,034	8,159	444	56
Inventories	29,663	28,614	-	-
Other current assets	26,647	26,686	2,516	2,516
Current assets	1,555,335	1,468,974	248,294	222,004
Investments	-	-	726,276	651,922
Investments held by trustees	61,606	104,036	-	-
Pledges receivable	9,937	14,248	167,431	174,439
Notes and mortgages receivable, net	54,867	68,748	69	451
Land, buildings, equipment, libraries and collections, net	3,571,774	3,265,838	31,655	27,585
Other noncurrent assets	14,830	14,655	9,927	10,301
Noncurrent assets	3,713,014	3,467,525	935,358	864,698
Total assets	$ 5,268,349	$ 4,936,499	$ 1,183,652	$ 1,086,702
LIABILITIES				
Accounts payable	$ 269,897	$ 276,372	$ 1,660	$ 9,321
Accrued salaries and benefits	147,001	144,947	-	-
Deferred revenue	159,651	154,193	1,472	1,456
Current portion of long-term debt	20,759	20,580	57,118	40,260
Funds held for others	-	-	58,030	53,613
Other current liabilities	68,841	67,316	5,826	5,991
Current liabilities	666,149	663,408	124,106	110,641
Federal refundable loans	43,218	44,125	-	-
Obligations under life income agreements	-	-	43,212	45,407
Long-term debt	554,848	514,707	-	-
Other noncurrent liabilities	86,573	78,781	-	-
Noncurrent liabilities	684,639	637,613	43,212	45,407
Total liabilities	$ 1,350,788	$ 1,301,021	$ 167,318	$ 156,048
NET ASSETS				
Invested in capital assets, net of related debt	$ 3,061,169	$ 2,824,567	$ -	$ -
Restricted:				
Nonexpendable:				
Endowments	-	-	345,379	314,203
Annuity and life income funds	-	-	24,842	15,599
Expendable:				
Endowments	-	-	136,714	107,173
Annuity and life income funds	-	-	16,419	19,375
Funds functioning as endowment	-	-	335,358	308,536
Grants and contracts	-	-	-	-
Gifts	118,073	121,520	156,329	165,213
Loans	38,484	47,775	-	-
Capital projects	43,371	37,122	-	-
Debt service	13,618	13,126	-	-
Appropriations	5,766	6,054	-	-
Other	50,458	46,330	-	-
Unrestricted	586,622	538,984	1,293	555
Total net assets	$ 3,917,561	$ 3,635,478	$ 1,016,334	$ 930,654

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(dollars in thousands) For Fiscal Year Ended June 30, 2005, with comparative totals for 2004

	CAMPUS*		FOUNDATION	
	2005	2004	2005	2004
OPERATING REVENUES				
Student tuition and fees, net	$ 283,964	$ 264,126	$ -	$ -
Grants and contracts:				
Federal	586,312	574,534	-	-
State	48,386	52,262	-	-
Private	129,715	138,069	-	-
Local	28,678	30,377	-	-
Sales and services:				
Medical centers	941,850	898,510	-	-
Educational activities	427,451	386,861	-	-
Auxiliary enterprises, net	241,450	228,561	-	-
Private gifts	-	-	94,383	97,947
Other operating revenues, net	43,885	43,361	-	-
Total operating revenues	2,731,691	2,616,661	94,383	97,947
OPERATING EXPENSES				
Salaries and wages	1,733,890	1,699,126	-	-
Benefits	340,206	312,635	-	-
Scholarships and fellowships	60,948	67,630	-	-
Utilities	81,393	71,659	-	-
Supplies and materials	390,956	346,675	-	-
Depreciation	173,765	170,344	-	-
Campus foundation grants	-	-	100,523	120,318
Other operating expenses	538,008	518,121	1,086	1,640
Total operating expenses	3,319,166	3,186,190	101,609	121,958
Operating loss	(587,475)	(569,529)	(7,226)	(24,011)
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	534,214	572,613	-	-
State financing appropriations	26,630	25,840	-	-
Private gifts	114,181	133,793	-	-
Investment income	-	-	42,266	56,690
Other	1,674	137	-	-
Net depreciation in fair value of investments	-	(10)	23,679	25,194
Interest expense	(24,292)	(19,090)	-	-
Loss on disposal of capital assets, net	(12,788)	(14,845)	-	-
Other nonoperating revenues (expenses)	(9,789)	(605)	(4,352)	(6,562)
Net nonoperating revenues (expenses)	629,830	697,833	61,593	75,322
Income (loss) before other change net assets	42,355	128,304	54,367	51,311
OTHER CHANGES IN NET ASSETS				
State capital appropriations	29,535	36,189	-	-
Capital gifts and grants	79,861	142,047	-	-
Permanent endowments	-	-	31,313	37,766
Transfers	130,332	142,562	-	-
Increase in net assets	282,083	449,102	85,680	89,077
NET ASSETS				
Net assets, beginning of year	3,635,478	3,186,376	930,654	841,577
Net assets, end of year	$ 3,917,561	$ 3,635,478	$ 1,016,334	$ 930,654

See accompanying Notes to Financial Statements.

TRANSFERS

(dollars in thousands) For Fiscal Year Ended June 30, 2005, with comparative totals for 2004

	CAMPUS* 2005	CAMPUS* 2004
Current (to)/from loan	$ (660)	$ -
Current:		
Intrafund	-	-
Intercampus	248,150	228,152
Interfund	(90,759)	(78,465)
Net revenue of bonds and other indebtedness programs	(40,659)	(34,923)
Indirect cost recovery	(786)	280
Net adjustments	-	-
Unexpended plant	216,231	54,513
Retirement of indebtedness	(52,203)	117,063
Investment in plant:		
Intrafund transfer assets	(2,078)	(516)
Intrafund transfer depreciation	164	27
Renewals and replacements	-	-
Loan	657	618
Indirect cost recovery	(147,725)	(144,187)
Total transfers	$ 130,332	$ 142,562

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS

(dollars in thousands) For Fiscal Year Ended June 30, 2005, with comparative totals for 2004

	CAMPUS* 2005	CAMPUS* 2004	FOUNDATION 2005	FOUNDATION 2004
CASH FLOWS FOR OPERATING ACTIVITIES				
Student tuition and fees, net	$ 283,649	$ 257,846	$ -	$ -
Grants and contracts	808,172	804,994	-	-
Receipts from sales and services of:				
Medical centers	964,047	885,539	-	-
Educational activities	425,306	381,933	-	-
Auxiliary enterprises, net	244,568	229,470	-	-
Collection of loans from students and employees	32,252	21,841	-	-
Private gifts	-	-	99,968	100,723
Payments to employees	(1,722,939)	(1,729,841)	-	-
Payments to suppliers and utilities	(930,668)	(875,518)	-	-
Payments for benefits	(341,124)	(291,434)	-	-
Payments for scholarships and fellowships	(60,948)	(67,630)	-	-
Loans issued to students and employees	(19,160)	(19,986)	-	-
Payments to campus and beneficiaries	-	-	(116,692)	(126,493)
Other receipts (payments)	(27,675)	(15,130)	5,189	4,066
Net cash used by operating activities	(344,520)	(417,916)	(11,535)	(21,704)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	534,214	572,613	-	-
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	-	-	31,313	37,766
Other private gifts	114,136	132,713	-	-
Other receipts (payments)	(9,789)	(605)	-	-
Net cash provided by noncapital financing activities	638,561	704,721	31,313	37,766
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	-	-	-	-
Payments of principal	-	-	-	-
Interest paid	-	-	-	-
State capital appropriations	29,645	33,559	-	-
State financing appropriations	12,815	11,988	-	-
Capital gifts and grants	77,907	117,490	-	-
Proceeds from debt issuance	60,585	300,655	-	-
Proceeds from the sale of capital assets	1,727	-	-	-
Purchases of capital assets	(431,041)	(414,640)	-	-
Refinancing/prepayment of outstanding debt	(14,811)	-	-	-
Principal paid on debt and capital leases	(15,472)	(309,042)	-	-
Interest paid on debt and capital leases	(14,841)	(2,072)	-	-
Net cash used by capital and related financing activities	(293,486)	(262,062)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	88,020	104,535
Purchase of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	(130,444)	(134,558)
Investment income, net of investment expenses	-	-	19,551	17,122
Net cash provided by investing activities	-	-	(22,873)	(12,901)
Intercampus transactions	(480)	-	-	-
Transfers	130,332	142,562	-	-
Net (decrease) increase in cash	130,407	167,305	(3,095)	3,161
Cash, beginning of year	966,476	799,171	3,932	771
Cash, end of year	$ 1,096,883	$ 966,476	$ 837	$ 3,932

See accompanying Notes to Financial Statements.

ORGANIZATION/FINANCIAL REPORTING ENTITY

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) are appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general-purpose financial statements as a component unit. Additionally, the University's consolidated financial statements, including 10 campuses, five medical centers, a statewide agricultural extension program, the University of California Retirement System and certain operational results of three major Department of Energy laboratories, are subjected to an independent annual audit.

The Los Angeles campus of the University of California was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The accounts of the Los Angeles campus are subject to limited-scope procedures as a part of the annual audit of the financial statements of the entire University of California. The financial statements for the Los Angeles campus have not been individually audited.

ASUCLA's financial data for the fiscal year ended June 30, 2005, have been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The financial activities of the separately incorporated foundation are not reflected within the campus' records until such time as gifts are transferred from the foundation to the campus. However, in accordance with the statements of the Governmental Accounting Standards Borad (GASB) detailed below, foundation activity is noted on the campus' financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the UCLA campus have been prepared in accordance with generally accepted accounting principles, including all applicable effective statements of the Governmental Accounting Standards Board (GASB) and all statements of the Financial Accounting Standards Board through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, was adopted during the year ended June 30, 2005. Statement No. 40 establishes additional disclosure requirements addressing common risks of investments. The implementation of Statement No. 40 had no effect on the campus' net assets, changes in net assets or cash flows for the years ended June 30, 2005 and 2004.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was also adopted during the year ended June 30, 2005. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. The effect of the implementation of Statement No. 42 was not significant on the campus' net assets or changes in net assets for the year ended June 30, 2005. There was no effect on the University's net assets or changes in net assets for the year ended June 30, 2004.

The North Pool at Kaufman Hall is a popular place for early morning and midday recreational swimming.

The significant accounting policies followed by UCLA are summarized as follows.

OTHER ACCOUNTING POLICIES

Cash. The University considers all balances in demand deposit accounts to be cash. All other highly liquid cash equivalents are considered to be short-term investments.

Short-term investments. UCLA participates in a temporary investment pool that is administered by the Office of the President. Income earned on investments is distributed based on average investments in the pool. This pool invests primarily in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. These temporary investments are considered cash equivalents for the purposes of the statement of cash flows.

Investments. Investments for endowment monies and other similar funds are primarily administered centrally by the Office of the President and are not reflected on the UCLA local financial statements. These funds consist of endowments, funds functioning as endowment, and annuity and life income funds. Endowments require that the principal be invested in perpetuity, with the income used in accordance with the terms specified by the donor. Funds functioning as endowment are primarily gifts and related gains that the University treats as endowments, with the exception that any portion of these funds may be expended at the University's discretion. Annuity and life income funds are held in trust by the University with the annuity or income paid periodically to designated beneficiaries; principal of these funds vests with the University and payments cease upon the death of the beneficiaries.

Monies are invested by the Treasurer of The Regents and the income transferred to individual campuses annually. A substantial portion of the net assets of the endowment and similar funds participates in a general endowment pool. Each individual fund subscribes to or disposes of units on the basis of the market value per unit at the end of the calendar month within which the transaction takes place. Investments include equities, high-yield equities, bonds and real estate.

Accounts receivable. Accounts receivable include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, pledges, educational activities, and amounts due from students, employees and faculty for services.

Pledges. Unconditional pledges of private gifts to the campus in the future are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including pledges of endowments to be received in future periods, and intentions to pledge are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable. Loans to students are provided by federal student loan programs and other University sources. Home mortgage loans, primarily to faculty, are provided by the University's Short-Term Investment Pool and other University sources. Mortgage loans provided by the Short-Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statement of net assets.

Inventories. Inventories are valued at cost, typically determined using the weighted average method, which is not in excess of net realizable value.

Land, infrastructure, buildings, equipment, libraries and collections. Land, infrastructure, buildings and improvements, equipment, libraries and collections, and special collections are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Capital leases are recorded at the present value of future minimal lease payments. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Leasehold improvements are amortized using the straight-line method over the life of the applicable lease or the economic life of the asset, whichever is shorter.

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Library books and materials	15 years

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets—such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections—are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned during the temporary investment of project-related borrowings.

Deferred revenue. Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees and fees for housing and dining services.

Funds held for others. Funds held for others result from the University acting as an agent or fiduciary on behalf of organizations that are not significant or financially accountable to the University.

Federal refundable loans. Certain loans to students are administered by the campus with funding primarily supported by the federal government. The University's statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Net assets. Net assets are classified for accounting and reporting purposes into the following categories:

Invested in capital assets, net of related debt. This category includes all of the campus' capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The campus classifies net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. Net assets subject to externally imposed restrictions that must be retained in perpetuity by the University are classified as nonexpendable net assets. Such assets include the University's permanent endowment funds. Because the Office of the President administers these funds, UCLA's local financial statements do not reflect balances for nonexpendable assets.

notes to financial statements

Expendable. Net assets whose use by the campus is subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time are classified as expendable net assets.

Unrestricted. Net assets that are neither restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. Unrestricted net assets may be designated for specific purposes by management or The Regents. Substantially all unrestricted net assets are allocated for academic and research initiatives or programs, or for capital programs.

Revenues and expenses. Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the UCLA campus and medical centers are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are mandated to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues on the foundations' statements since, in contrast to the University, such contributions are fundamental to the core mission of the foundations. When the gift is transferred from the foundation to the campus, the campus records the revenue as nonoperating revenue.

Nonoperating revenues and expenses include state educational appropriations (for the support of UCLA operating expenses); state financing appropriations; private gifts for other than capital purposes; investment income, net unrealized appreciation or depreciation in the fair value of investments; interest expense; and gain or loss on the disposal of capital assets.

State capital appropriations, and capital gifts and grants are classified as other changes in net assets.

Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of the campus. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

State appropriations. The State of California provides appropriations to the University, which are allocated to the campuses on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses are incurred to support either educational operations or other specific operating purposes. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant revenue.

Grant and contract revenue. UCLA receives grant and contract revenue from governmental and private sources. The campus recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the Department of Health and Human Services. For the fiscal year ended June 30, 2005, the facilities and administrative cost recovery totaled $149.9 million, $129.4 million from federally sponsored programs and $20.5 million from other sponsors. For the fiscal year ended June 30, 2004, the facilities and administrative cost recovery totaled $147 million, $124.5 million from federally sponsored programs and $22.6 million from other sponsors.

The majority of the recovery of facilities and administrative costs from contract and grant activity are transferred to the Office of the President as part of the closing process and then reallocated at a designated rate to the campus in the next fiscal year. The amount transferred for 2005 was $147.7 million; the amount transferred for 2004 was $144.2 million.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payers, including Medicare, Medi-Cal, and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payers. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement or as additional information becomes available.

Scholarship allowances. The campus recognizes certain scholarship allowances, which include both financial aid and fee waivers, as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center fees, etc., and the amount that is paid by the student or by third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to revenues for the years ended June 30, 2005 and 2004 (*dollars in thousands*):

	2005	2004
Student tuition and fees	$ 92,974	$ 77,747
Sales and services of auxiliary enterprises	20,272	18,455
Scholarship allowances	$ 113,246	$ 96,202

Compensated absences. UCLA accrues annual leave for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. UCLA is qualified as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

Comparative information. 2004 financial information is included as comparative values to the 2005 presentation.

notes to financial statements

1. CASH

The University maintains centralized management for substantially all of its cash. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. At June 30, 2005 and 2004, the carrying amount of UCLA's equity in the Treasurer's investment, transferred to the Treasurer's Office as part of the University's investment, was $1.07 billion and $945.8 million, respectively, compared with bank balances of $24.9 million and $20.7 million, respectively. The timing of deposits in transit, varying from year to year, is the primary difference.

2. INVESTMENTS HELD BY TRUSTEES

UCLA has entered into agreements with trustees to maintain trusts for long-term debt requirements. All investments held by trustees are insured, registered or held by the campus' trustee or custodial bank, as fiduciary for the bondholder or as agent for the University.

The trust agreements for long-term debt permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Noncurrent investments held by trustees are for future payment of principal and interest in accordance with various indenture and other long-term debt requirements. The fair value of these investments was $61.6 million and $104 million at June 30, 2005 and 2004, respectively. The decrease of $42.4 million is attributed to payments received from trustees.

UCLA's deposits into the trusts, or receipts from the trust, are classified as a capital and related financing activity in the statement of cash flows as it is related to long-term debt requirements. Investment transactions initiated by trustees in conjunction with the management of the trust assets and payments from the trust to third parties are not included in the campus' statement of cash flows.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2005 and 2004, are as follows (*dollars in thousands*):

	STATE & FEDERAL GOVERNMENT	MEDICAL CENTERS	OTHER	TOTAL
At June 30, 2005				
Accounts receivable	$ 80,387	$ 224,104	$ 132,973	$ 437,464
Allowance for uncollectible amounts	(-)	(44,115)	(7,651)	(51,766)
Accounts receivable, net	$ 80,387	$ 179,989	$ 125,322	$ 385,698
At June 30, 2004				
Accounts receivable	$ 97,015	$ 246,301	$ 142,599	$ 485,915
Allowance for uncollectible amounts	(115)	(41,014)	(7,138)	(48,267)
Accounts receivable, net	$ 96,900	$ 205,287	$ 135,461	$ 437,648

(Other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, and auxiliary enterprises.)

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2005 and 2004, is summarized as follows (*dollars in thousands*):

	2005	2004
Total pledges receivable outstanding	$ 17,091	$ 17,454
Less: Unamortized discount to present value	(864)	(1,655)
Allowance for uncollectible pledges	(-)	(275)
Total pledges receivable, net	16,227	15,524
Less: Current portion of pledges receivable	(6,290)	(1,276)
Noncurrent portion of pledges receivable	$ 9,937	$ 14,248

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2005 and 2004, along with allowances for uncollectible amounts, are as follows (*dollars in thousands*):

		NONCURRENT		
	CURRENT	NOTES	MORTGAGES	TOTAL
At June 30, 2005				
Notes and mortgages receivable	$ 10,721	$ 40,225	$ 16,538	$ 67,484
Allowance for uncollectible amounts	(687)	(1,819)	(77)	(2,583)
Notes and mortgages receivable, net	$ 10,034	$ 38,406	$ 16,461	$ 64,901
At June 30, 2004				
Notes and mortgages receivable	$ 8,701	$ 57,798	$ 12,366	$ 78,865
Allowance for uncollectible amounts	(542)	(1,184)	(232)	(1,958)
Notes and mortgages receivable, net	$ 8,159	$ 56,614	$ 12,134	$ 76,907

6. LAND, INFRASTRUCTURE, BUILDINGS, EQUIPMENT, LIBRARIES AND COLLECTIONS

The campus' capital asset activity for the years ended June 30, 2005 and 2004, is as follows (*dollars in thousands*):

	2003	ADDITIONS	DISPOSALS	2004	ADDITIONS	DISPOSALS	2005
ORIGINAL COST							
Land	$ 77,538	$ 2,669	$ -	$ 80,207	$ -	$ -	$ 80,207
Infrastructure	7,754	-	-	7,754	-	-	7,754
Buildings and improvements	2,441,315	109,384	-	2,550,699	74,459	(314)	2,624,844
Equipment	821,447	121,705	(70,610)	872,542	62,654	(96,977)	838,219
Libraries and collections	437,325	16,325	-	453,650	13,320	-	466,970
Special collections	53,709	1,305	-	55,014	3,313	-	58,327
Construction in progress	890,307	334,743	-	1,225,050	340,307	-	1,565,357
Capital assets, at original cost	$ 4,729,395	$ 586,131	$ (70,610)	$ 5,244,916	$ 494,053	$ (97,291)	$ 5,641,678

	2003	DEPRECIATION & AMORTIZATION	DISPOSALS	2004	DEPRECIATION & AMORTIZATION	DISPOSALS	2005
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 5,244	$ 200	$ -	$ 5,444	$ 201	$ -	$ 5,645
Buildings and improvements	1,034,370	76,220	-	1,110,590	79,692	(251)	1,190,031
Equipment	507,789	79,743	(55,792)	531,740	79,761	(82,688)	528,813
Libraries and collections	317,123	14,181	-	331,304	14,111	-	345,415
Accumulated depreciation and amortization	$ 1,864,526	$ 170,344	$ (55,792)	$ 1,979,078	$ 173,765	$ (82,939)	$ 2,069,904
Capital assets, net	$ 2,864,869			$ 3,265,838			$ 3,571,774

7. DEBT

The University may finance the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. Commercial paper provides for interim financing, which is accounted for on a systemwide basis. Long-term financing includes revenue bonds, certificates of participation, mortgages and other borrowings, and capital lease obligations.

UCLA's outstanding debt at June 30, 2005 and 2004, is as follows (*dollars in thousands*):

	INTEREST RATES	MATURITY YEARS	2005	2004
LONG-TERM FINANCING				
Hospital Revenue Bonds Series 2002 & 2004	2.0 – 5.5%	2006 – 2039	$ 297,565	$ 298,466
Mortgages and other borrowings	2.23 – 6%	2006 – 2008	38,953	15,119
Capital lease obligations - state lease revenue bonds	2.4 – 5%	2006 – 2022	193,394	167,316
Capital lease obligations	2.56 – 11.8%	2006 – 2011	45,695	54,386
Total long-term outstanding debt			$ 575,607	$ 535,287

Outstanding Debt Activity

Activity with respect to the campus' current and noncurrent debt for the years ended June 30, 2005 and 2004, is as follows (*dollars in thousands*):

	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
Year Ended June 30, 2005				
Current portion at June 30, 2004	$ 900	$ 30	$ 19,650	$ 20,580
Reclassification from noncurrent	1,016	14,844	20,834	36,694
Principal payments	(900)	(14,842)	(20,773)	(36,515)
Current portion at June 30, 2005	1,016	32	19,711	20,759
Noncurrent portion at June 30, 2004	297,566	15,089	202,052	514,707
New obligations	(1)	38,676	38,160	76,835
Reclassification to current	(1,016)	(14,844)	(20,834)	(36,694)
Noncurrent portion at June 30, 2005	296,549	38,921	219,378	554,848
TOTAL	$ 297,565	$ 38,953	$ 239,089	$ 575,607
Year Ended June 30, 2004				
Current portion at June 30, 2003	$ 5,815	$ 28	$ 12,974	$ 24,117
Reclassification from noncurrent	99,235	28,048	19,992	311,195
Principal payments	(104,150)	(28,046)	(13,316)	(314,732)
Current portion at June 30, 2004	900	30	19,650	20,580
Noncurrent portion at June 30, 2003	129,855	11,394	189,760	494,929
New obligations	266,946	31,743	32,284	330,973
Reclassification to current	(99,235)	(28,048)	(19,992)	(311,195)
Noncurrent portion at June 30, 2004	297,566	15,089	202,052	514,707
TOTAL	$ 298,466	$ 15,119	$ 221,702	$ 535,287

Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic and research facilities of the University. They have annual principal and semiannual interest payments, and serial and term maturities; they contain sinking fund requirements and may have optional redemption provisions.

Revenue bonds for medical centers and auxiliary enterprises are collateralized by a pledge of the net revenues generated by the enterprises. Revenue bonds for research facilities and certain revenue bonds for administrative and academic facilities are collateralized by a pledge of the University's share of facilities and administrative rate recoveries received on federal research grants and contracts performed by the University. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents.

The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues, after expenses and requirements for senior lien indentures, equal to 1.25 times debt service and to maintain certain other financial covenants. The Hospital Revenue Bonds require the University to achieve net revenues of 1.1 times to 1.2 times debt services (depending on the indenture); set limitations on encumbrances, indebtedness, disposition of assets and transfer services; and maintain certain other financial covenants. The Multiple Purpose Projects Revenue Bond and Hospital Revenue Bond indentures require the University to use the facilities in a way that will not cause the interest on the bonds to be included in the gross income of the holders of the bonds for federal tax purposes.

Mortgages and Other Borrowings

Mortgages and other borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. The mortgages are collateralized by real property.

As part of the University, UCLA may use uncollateralized bank lines of credit with commercial banks to supplement commercial paper to provide interim financing for buildings and equipment. Line-of-credit commitments, with various expiration dates through 2008, totaled $138.3 million at June 30, 2005. Outstanding borrowing under these bank lines totaled $39 million and $15 million at June 30, 2005 and 2004, respectively, and is included in mortgages and other borrowings.

Capital Leases

Capital leases entered into with other lessors, primarily for the replacement hospitals and equipment, totaled $239 million in 2005, up from $221.7 million in 2004. The majority of that amount, $193.4 million, is attributed to State Lease Revenue Bonds issued to finance the UCLA replacement hospitals in Santa Monica and Westwood; the bonds mature in 2022.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2005, and thereafter are as follows (*dollars in thousands*):

Year Ending June 30	REVENUE BONDS	CERTIFICATES OF PARTICIPATION	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASES STATE	CAPITAL LEASES OTHER	TOTAL PAYMENTS	PRINCIPAL	INTEREST
2006	$ 15,120	$ -	$ 36	$ 13,866	$ 14,874	$ 43,896	$ 20,343	$ 23,553
2007	19,497	-	37,953	13,794	13,657	84,901	61,978	22,923
2008	19,469	-	970	13,816	12,492	46,747	24,584	22,163
2009	21,744	-	-	13,778	6,987	42,509	21,079	21,430
2010	48,903	-	-	13,766	272	62,941	42,874	20,067
2011-2015	98,664	-	-	68,624	30	167,318	81,464	85,854
2016-2020	98,647	-	-	68,238	-	166,885	105,265	61,620
2021-2025	62,791	-	-	40,802	-	103,593	69,370	34,223
2026-2030	53,830	-	-	-	-	53,830	29,840	23,990
2031-2035	53,827	-	-	-	-	53,827	38,345	15,482
2036-2040	43,063	-	-	-	-	43,063	38,175	4,888
Total future debt service	535,555	-	38,959	246,684	48,312	869,510	$ 533,317	$ 336,193
Less interest component of future payments	248,371	-	6	85,199	2,617	336,193		
Principal portion of future payments	287,184	-	38,953	161,485	45,695	533,317		
Pre-bond issuance				31,909		31,909		
Deferred premium - Medical Center	10,381	-	-	-	-	10,381		
Total long-term outstanding debt	$ 297,565	$ -	$ 38,953	$ 193,394	$ 45,695	$ 575,607		

(Future payments not included above are the systemwide state capital leases, in which UCLA participates, that are held at the Office of the President. The principal portion totals $116.6 million , and interest $51.8 million, through 2024.)

8. SELF-INSURANCE AND OTHER LIABILITIES

UCLA's other liabilities, primarily employee leave and other compensated absences with similar characteristics and accrued interest, at June 30, 2005 and 2004, are as follows (*dollars in thousands*):

	2005 CURRENT	2005 NONCURRENT	2004 CURRENT	2004 NONCURRENT
Other liabilities:				
Compensated absences	$ 40,375	$ 86,573	$ 36,536	$ 78,781
Accrued interest	3,284	-	2,965	-
Other	25,182	-	27,815	-
TOTAL	$ 68,841	$ 86,573	$ 67,316	$ 78,781

notes to financial statements

Self-Insurance Programs

The University is self-insured for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded on a systemwide basis when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Each campus funds the self-insurance liability through predetermined rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCLA's statement of revenues, expenses and changes in net assets. UCLA's financial statements do not reflect any liability amounts for self-insurance claims, as these estimated liabilities are recorded on a systemwide basis.

Other Noncurrent Liabilities

Activity with respect to other noncurrent liabilities for the years ended June 30, 2005 and 2004, is as follows (*dollars in thousands*):

	COMPENSATED ABSENCES
Year Ended June 30, 2005	
Liabilities at June 30, 2004	$ 78,781
New obligations	41,092
Reclassification to current	(33,300)
Liabilities at June 30, 2005	$ 86,573
Year Ended June 30, 2004	
Liabilities at June 30, 2003	$ 78,482
New obligations	35,355
Reclassification to current	(35,036)
Liabilities at June 30, 2004	$ 78,781

Payments are generally made from a variety of revenue sources, including state educational appropriations, grants and contracts, auxiliary enterprises and endowment income, or other revenue sources that support the employee's salary.

9. ENDOWMENTS AND FOUNDATION GIFTS

The Regents' Endowments

Endowments are administered either by the University or by campus foundations. The financial activities of the separately incorporated campus foundations are not included in the University's financial statements until such time as gifts are transferred from the campus foundations to the University.

The endowments held by The Regents are administered on a systemwide basis, and related investments are not reflected on UCLA's separate financial statements.

The portion of investment returns earned on endowments held by The Regents and distributed each year to support current operations is based on a rate (stated in dollars per share) that is approved by The Regents. The total distribution from endowments held by The Regents to UCLA was $29.1 million and $28.6 million for the years ended June 30, 2005 and 2004, respectively.

Campus Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fund-raising, public outreach and other support for the missions of the campus and the University. Although independent boards govern The UCLA Foundation, its assets are dedicated for the benefit of UCLA.

During the years ended June 30, 2005 and 2004, gifts of $79.4 million and $85.8 million, respectively, were transferred to UCLA from The UCLA Foundation. At June 30, 2005, The UCLA Foundation's net assets were $1.02 billion.

10. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2005 and 2004, are as follows (*dollars in thousands*):

	2005	2004
Instruction	$ 851,368	$ 790,575
Research	555,235	551,255
Public service	68,275	62,608
Academic support	253,578	255,693
Student services	57,124	53,182
Institutional support	104,923	99,838
Operations and maintenance of plant	76,337	66,571
Student financial aid	67,329	69,575
Medical centers	905,338	870,463
Auxiliary enterprises	193,064	184,298
Depreciation	173,765	170,344
Other	12,830	11,788
Total operating expenses	$ 3,319,166	$ 3,186,190

11. THE RETIREMENT PLAN

Most University employees participate in the University of California Retirement System (UCRS). The UCRS consists of a single-employer defined benefit plan funded by University and employee contributions, a defined benefit plan for University employees who elected early retirement under the Public Employees Retirement System Voluntary Early Retirement Incentive Program (PERS-VERIP) and two defined contribution plans with several investment portfolios funded by employee non-elective and elective contributions. The Board of Regents is the trustee for all UCRS and PERS-VERIP funds. Accordingly, these funds are separately identified in the systemwide annual financial report.

notes to financial statements

12. COMMITMENTS AND CONTINGENCIES

Commitments

Amounts committed but unexpended for construction projects totaled $643.4 million and $937.6 million at June 30, 2005 and 2004, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2005 and 2004, were $43.9 million and $15.3 million, respectively. The terms of operating leases extend through February 2022.

Future minimum payments on operating leases with initial or remaining noncancelable terms in excess of one year are as follows (*dollars in thousands*):

YEAR ENDING JUNE 30	MINIMUM ANNUAL LEASE PAYMENTS
2006	$ 23,122
2007	19,983
2008	16,443
2009	12,673
2010	10,046
2011-2014	14,903
2015-2019	91
2020-2024	23
TOTAL	$ 97,284

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's or UCLA's separate financial positions.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's or UCLA's separate financial positions.

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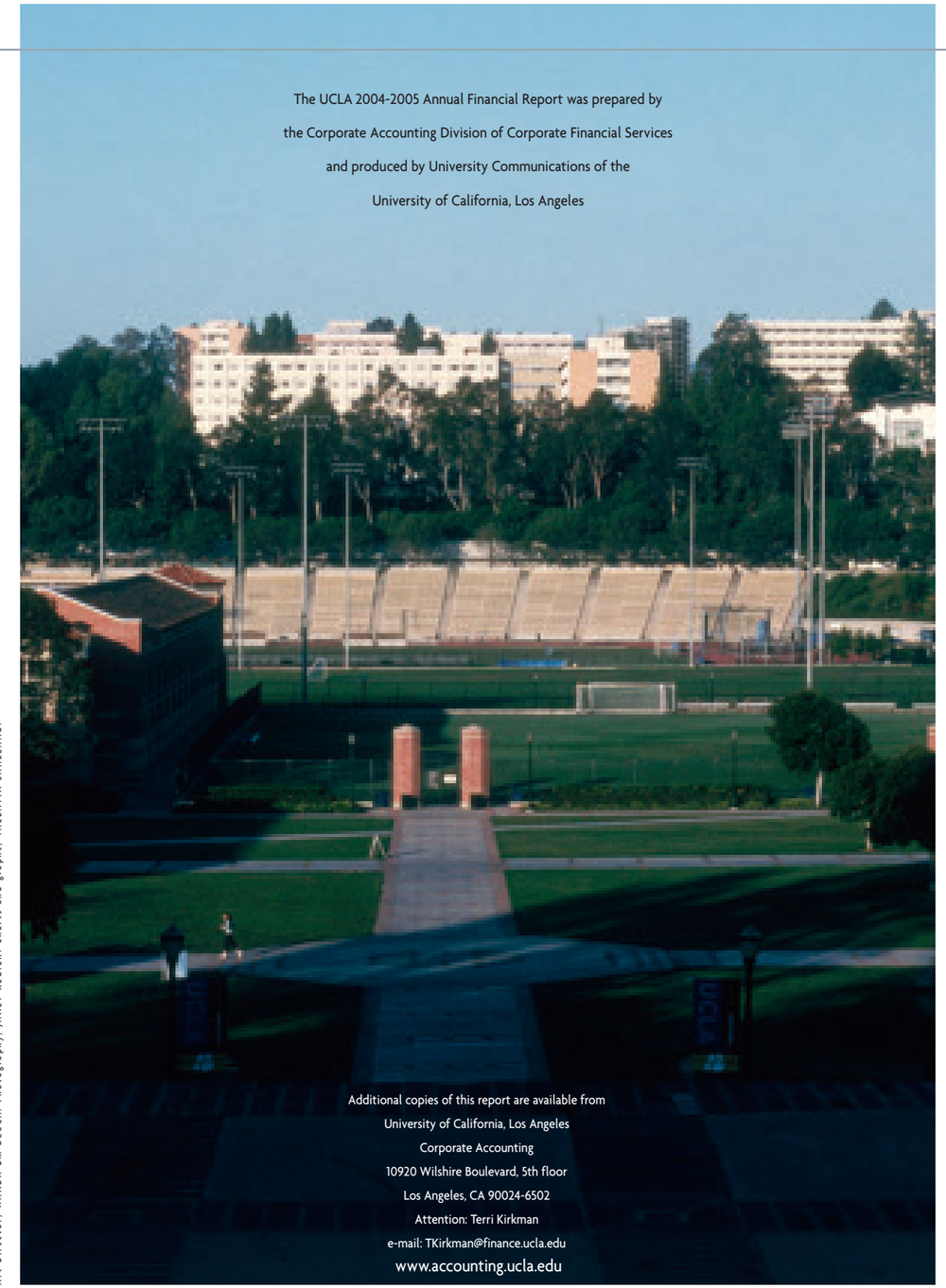

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Home to UCLA's soccer and track-and-field teams, Drake Stadium was named for legendary track coach and head athletic trainer Elvin C. "Ducky" Drake. During his tenure (1946-1964), Drake coached nine NCAA championship teams and helped UCLA alumnus Rafer Johnson and student Yang Chuan-Kwang capture gold and silver medals, respectively, in the decathlon at the 1960 Rome Olympics.